



# **Cynulliad Cenedlaethol Cymru The National Assembly for Wales**

## **Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol The Communities, Equality and Local Government Committee**

**Dydd Iau, 3 Tachwedd 2011  
Thursday, 3 November 2011**

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cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol****Committee members in attendance**

|                      |   |
|----------------------|---|
| Peter Black          | Democratiaid Rhyddfrydol Cymru<br>Welsh Liberal Democrats |
| Janet Finch-Saunders | Ceidwadwyr Cymreig<br>Welsh Conservatives                 |
| Mike Hedges          | Llafur<br>Labour  |
| Mark Isherwood       | Ceidwadwyr Cymreig<br>Welsh Conservatives                 |
| Bethan Jenkins       | Plaid Cymru<br>The Party of Wales                         |
| Ann Jones            | Llafur (Cadeirydd y Pwyllgor)<br>Labour (Committee Chair) |
| Gwyn R. Price        | Llafur<br>Labour  |
| Kenneth Skates       | Llafur<br>Labour  |
| Rhodri Glyn Thomas   | Plaid Cymru<br>The Party of Wales                         |
| Joyce Watson         | Llafur<br>Labour  |

**Eraill yn bresennol****Others in attendance**

|                                   |   |
|-----------------------------------|---|
| J.J. Costello                     | Pennaeth Strategaeth a Datblygu, Shelter Cymru<br>Head of Strategy and Development, Shelter Cymru   |
| Keith Edwards                     | Cyfarwyddwr, Sefydliad Tai Siartredig Cymru<br>Director, Chartered Institute of Housing Cymru   |
| Sue Essex                         | Cadeirydd yr Adolygiad i ddarparu tai fforddiadwy yn ystod y trydydd Cynulliad<br>Chair of the Review into the delivery of affordable housing during the third Assembly |
| Victoria Hiscocks                 | Rheolwr Polisi a Materion Cyhoeddus, Sefydliad Tai Siartredig Cymru<br>Policy and Public Affairs Manager, Chartered Institute of Housing Cymru                          |
| Joy Kent                          | Cyfarwyddwr, Cymorth Cymru<br>Director, Cymorth Cymru   |
| Yr Athro / Professor Steve Wilcox | Canolfan Polisi Tai, Prifysgol Efrog<br>Centre for Housing Policy, The University of York   |

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol****National Assembly for Wales officials in attendance**

|                 |                               |
|-----------------|-------------------------------|
| Sarah Bartlett  | Dirprwy Glerc<br>Deputy Clerk |
| Jonathan Baxter | Ymchwilydd<br>Researcher      |
| Marc Wyn Jones  | Clerc<br>Clerk                |

*Dechreuodd y cyfarfod am 9.32 a.m.  
The meeting began at 9.32 a.m.*

## **Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions**

[1] **Ann Jones:** Good morning, everybody, and welcome to the Communities, Equality and Local Government Committee.

[2] I will just go through the usual housekeeping rules. Please switch off your mobile phones, BlackBerrys and so on, as they affect the broadcasting equipment. The committee operates bilingually. Channel 0 on the headsets can be used to amplify the proceedings, and channel 1 is for the translation from Welsh to English. We are not expecting a fire drill, so, if the alarm sounds, we will take instructions from the ushers. The assembly point is near the Pierhead building; which way we go out is another matter, but we will wait to hear from the ushers.

[3] Does any Member wish to declare an interest other than what is on the register of interests? I see that no-one does.

9.33 a.m.

### **Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Sefydliad Tai Siartredig Cymru Inquiry into the Provision of Affordable Housing: Chartered Institute of Housing Cymru**

[4] **Ann Jones:** It is a pleasure to welcome Keith Edwards, director of the Chartered Institute of Housing Cymru, and Victoria Hiscocks, policy and public affairs manager. Thank you for your paper. Do you have any opening remarks to make, or are you happy for us to go straight to questions?

[5] **Mr Edwards:** We are happy to go to questions. Just one point: because we had to pull the paper forward, there are a couple of typos in there that we would not normally include. We apologise for that.

[6] **Ann Jones:** That is fine. You have to watch the spell-checker sometimes, because it gives you different words. Joyce, would you like to start the questioning?

[7] **Joyce Watson:** Good morning. I read your paper with interest. I have questions on strategic direction. Do you think that the Welsh Government is taking enough of a strategic lead in the delivery of affordable housing?

[8] **Mr Edwards:** From our perspective, it is very much work in progress. Significant progress was made during the last Assembly, particularly in maximising the social housing grant from the strategic capital investment fund to support affordable housing delivery through registered social landlords. We had been arguing for some time that we needed to see a more holistic approach to the delivery of affordable housing, and if you read both the manifesto of the party that is in Government and the subsequent programme for government in relation to housing, we are pleased that there is a wider acknowledgment that affordable housing has to be solved by much more of a cross-cutting approach.

[9] **Joyce Watson:** That is for the Government, but we only work in partnership with the local authorities, which deliver on this. Do you think that their strategic roles are fully developed? If not, how do you think that they could be improved?

[10] **Mr Edwards:** CIHC has had a long standing interest in the skills and capacity of the housing sector, particularly in relation to the strategic housing function of local authorities.

We have done quite a lot of work over the years. Our paper refers to some work that we did, some time ago, through the social housing management grant programme to increase that strategic capacity. We also work with other professional bodies, such as the Royal Town Planning Institute—for example, we run a housing and planning network. So, there is an issue about the skills and the resources that local authorities are able to devote to this. My honest answer is that there are some good local authorities that discharge their strategic functions well, but it is a bit of a mixed bag. Encouragingly, a number of local authorities, almost ahead of the curve on regional collaboration, have been doing good work in assessing regional housing markets and looking at sharing resources on things such as affordable housing delivery in the Heads of the Valleys, for example. So, a strategic role is essential to delivery at a local level. In practice, there is room for improvement, but CIHC is committed to working with local authorities to do that.

[11] **Mark Isherwood:** You have talked about the strategic role that local authorities can play, and you have expressed concern that some are slower than others on good practice. In that context, do you consider that what was the Welsh housing quality standard, and options for developing that, can have a role in helping to free a local authority to take a more strategic role? What particular actions can you identify that have been successful, or that you would like to see rolled out more broadly, such as the use of Inform to Involve? To what degree can local authorities and the Welsh Government have a direct strategic role with the private rented sector, homebuilders, mortgage lenders and housing associations? You talk about barriers faced by first-time buyers—the high deposits and stringent criteria. What role could be developed to ensure better understanding among members and officers in local authorities, where even the definition of ‘affordable housing’ tends to vary not only from authority to authority but, often, from individual to individual?

[12] **Mr Edwards:** You mention a number of issues, Mark. The stock transfer programme has had an impact on the strategic housing function. The i2i project, which we manage for the Welsh Government, produced ‘Surviving Transfer’, a guide that is available on our website. That allows the opportunity to take the strategic function and divorce it from the landlord function; if you approached that properly it would allow you to concentrate on the strategic issue rather than the day-to-day issues of being a landlord. That is the theory. Some authorities have taken that responsibility seriously and have used the opportunity to beef up their strategic function and re-focus their energies on that role, rather than being sidestepped into being landlords. In others, unfortunately—and this is part of a longer process, over 20 or 30 years—we have seen local authorities demoting the strategic housing function in their priorities.

[13] On issues around the private rented sector, we mentioned the work that Vikki has done on the Welsh housing review, which is published annually on our website. It analyses some of the trends in housing, and there are other things in it as well. It identifies that the private rented sector, over the past few years, has increased from 11 to 14 per cent of the overall housing stock. Dr Peter Mackie of Cardiff University is doing work on young people’s housing options. Some projections show that up to 30 per cent of young people may be housed in the private rented sector by 2020. So, we are seeing seismic shifts in the whole housing system. It is difficult to see how those trends could be stopped, even if we wanted to stop them. The private rented sector is going to be a key sector in delivering affordable housing in future.

[14] The issue then becomes about standards in the sector and about the best standards of management, as we have a keen interest in the latter as well. There are a lot of issues around lenders and engagement with the private sector, which I think that we mentioned in our paper. I think that you are taking oral evidence from Community Housing Cymru next week, and one of the key points made in its written submission is that we need to be much more innovative and engaged in how we draw in providers and work in partnership with them.

Things like housing bonds, possibly using pension funds and new hybridised and innovative models developed in Wales, seem to have an important role to play.

[15] **Ms Hiscocks:** I would say ‘no’ to the points that you made on strategic functions. I have had personal experience of them, because my background is in strategic functions of a large scale voluntary transfer organisation. What housing looks like post-transfer depends on the corporate commitment to housing as an issue in local authorities. As Keith said, there are examples where authorities have seen the transfer as an opportunity to do things that they were unable to do from a strategic housing point of view; they have been able to focus their efforts in that area. In other areas, there is an attitude that ‘we do not do housing anymore’ once the landlord function has gone. The Welsh Local Government Association has been doing a lot of work in this area. Sue Essex, who has just walked into the public gallery, has been engaged in a programme to try to engage with local authorities and promote that function across Wales. From our experience, that is having a real impact. In terms of things that can be done to try to beef up that role, there is some good stuff going on, and more of it is needed.

[16] **Mark Isherwood:** I know that you are aware of a possible conflict between the criteria that building societies and banks may have to apply, particularly in the current climate, in terms of their legislative requirements, capital adequacy and liquidity and so on, versus the pressure from the market and politicians for them to be more flexible and support more people. Do you feel that there is sufficient dialogue between the legislators, politicians, housing providers and mortgage lenders to agree schemes that are deliverable? I know that the Council of Mortgage Lenders wants simplicity, whereas registered social landlords want flexibility; how can those aims be brought together?

[17] Keith, you rightly note the changing format of housing in future, with a higher proportion of younger people in the private rented sector and so on, perhaps with different demands to those in the past. What continuing and developing role do you think that intermediate renter purchase and so on can play in that? On land supply, what strategic role can and should national and local government be playing?

[18] Finally, there is some debate as to how the role of the rural housing enabler should develop. Should they be given more powers to establish local affordable housing need? Often, the number of people on a local authority’s local affordable housing waiting list is significantly less—putting it politely—than the number that might be on the waiting list of a local estate agent. We need an effective database to establish housing need. Sometimes, the enabler might be more able to reflect the difference in numbers if they can go direct to populations to carry out need surveys, helping to define what local need is and what criteria should be applied.

[19] **Mr Edwards:** The intermediate rent issue is embedded in one of the earlier issues that you mentioned, namely what we mean by affordability. The UK Government, for example, has taken the view on rented housing in particular, and socially rented housing to a large extent, that an 80-per-cent-of-market-value model is likely to deliver the most for the investment that the Government is able to muster. The early noises from this administration is that that is not a model that it particularly wants to pursue, although things like the Welsh housing partnership move us into territory where we are looking at above-normal social housing rents. There is a big debate to be had about the purpose of social housing and affordable housing. At the moment, we are involved with the Welsh Government in having that discussion and in leading on the thinking on that. It is something that we definitely do address. It might be something that this committee, or a future committee, may want to focus on in a bit more detail as it is a fundamental issue going forward.

9.45 a.m.

[20] The land supply protocol signed by Rhodri Morgan has been in existence since 2006. There is not a huge amount of evidence that we have managed to shift the land into the development of affordable housing. Anything that the committee could do to push that forward would be very much appreciated by the Chartered Institute of Housing Cymru and the wider housing community. The issue of a rural housing enabler raises an interesting point. The potential role of that enabler could range from the soft side, in terms of facilitation brokering, to a much more of an enforcement role, with more powers to make things happen locally. We need to think about giving more teeth to those sorts of initiatives, so that once all the processes have gone through that we can actually ensure that we get affordable housing. It is one of life's ironies that everyone wants more affordable housing in their communities, but they do not want it next door to them. It is one of the things on which we would welcome action.

[21] My final point is on the brokering of relationships. The core production idea is a good and solid one, but, we have been saying for a while that core production in difficult circumstances would require perhaps a bit more honesty between the partners, because we are not always going to agree on the issues. You mentioned that lenders have different objectives to us, in terms of the flexibility of any financial models that are developed. I see a clear role for the Welsh Government in that. Beecham said that we have the opportunity to achieve excellence in small-country Government. Lenders in Wales know the registered social landlords, people from CIHC know people in Community Housing Cymru. There is a housing community that understands each other better. There are opportunities for honest dialogue to get to a position of compromise. Perhaps that would not be possible in other parts of the UK.

[22] **Joyce Watson:** On strategy, you have outlined how you think that it is working and how it is not, but, you have also mentioned policy creep. You can have all the strategies you like, but the housing market transcends boundaries. How do you think that we can, if it is our desire, prevent that policy creep, particularly in terms of the 80 per cent market rent model that has been adopted in England, from transcending our boundaries?

[23] **Mr Edwards:** The policy creep happens because they are our neighbour, but there are also two other dimensions. They are a very big neighbour and a close neighbour. Historically, there has been a lot of stuff, and there still is, that is England and Wales, rather than England, Wales and the rest of the UK. Those are the reasons why we are where we are with the influence and impact of policy from across the border. Considering the wider economic issues mentioned by Joyce that the housing market does not respect boundaries, there is an issue there. It is for the Welsh Government to give a strong strategic lead on that. If it feels that there should be a much more mixed housing economy, based on need as well as various partners coming together to deliver affordable housing—as opposed to pushing people into a particular model from England—then we could benefit from that.

[24] **Peter Black:** On the intermediate housing issue, in particular the 80 per cent rent, we have talked about meeting the demand from the growing cohort of younger people who are moving into the rented sector because they cannot afford to buy. Many of them are in employment, and considering that pattern of demand, do you think that there is a market for an intermediate product where you charge 70 or 80 per cent rent for that particular cohort, which could be used to cross subsidise affordable housing? If the Welsh Government, instead of resisting that, actually tried to get the balance right, we could deliver more housing units in Wales that meet the needs of people out there.

[25] **Ms Hiscocks:** We would agree that that plays a role within the toolbox of options for people. The question is where it sits with the balance of resources. You are absolutely right that there are a growing number of people whose aspirations are changing. People cannot get into the housing market. We have to have a really good offer to that particular group of

people, and intermediate rent might be that option. However, we would not want that to be at the cost of other products that might serve the needs of potentially more vulnerable people.

[26] **Mr Edwards:** From our point of view, this has all been happening against the backdrop of major reductions in capital funding. So, it is very small pot anyway. Obviously, you have to ensure that, in these circumstances, you spend it as wisely as possible. However, for example, the Welsh housing partnership takes some money out of that pot and develops along the lines that you have been suggesting. The scope to do that more, given the need that we know exists for social housing, is very limited in the present climate.

[27] **Peter Black:** I was going to come on to the capital money. That has been reduced this year, more than I think was envisaged by the One Wales Government in its projected budget. What more can we do to get value for money from that in terms of partnerships, use of intermediate rent, cross subsidies and so on? Is the Welsh Government being imaginative enough in the way it is using that capital to bring in additional resources?

[28] **Mr Edwards:** From my perspective, we have all heard this mantra that we must use the available resources in a better way. However, we have clearly been pressing the Welsh Government and all the political parties for a much more comprehensive approach to the provision of affordable housing. For example, one or two local authorities are ambitious to build again. There are now 11 transfer organisations in Wales, all of which have land. I think that one transfer organisation said recently that it has 140 parcels of land that it could use for development. There are new models such as co-operative housing, and perhaps we need to revisit older models such as community land trusts. There are issues around what registered social landlords can do themselves. In fairness, this has been a very innovative sector over the past few years, so this is not just reliant on social housing grant; there are already lots of examples of housing associations developing, using less grant and, in some cases, no grant. Therefore, it is not exactly a patchwork approach, that we need a comprehensive approach to increase supply.

[29] **Ms Hiscocks:** We would also make the case that investing via the social housing grant delivers more than just homes. There is all the added value around jobs, training, benefits to health and stable communities. So, we have to see that broader picture.

[30] **Peter Black:** You mentioned co-operative housing. When I questioned the Minister in the Chamber yesterday, he said that there may be funding streams attached to co-operative housing. Are you aware of such funding streams?

[31] **Mr Edwards:** We have had early discussions with a number of the organisations that have a reputation for the development of co-operative housing in England. There is an event on 25 November, at which we will look at exploring some of the options further. There certainly seems to be a thirst for tapping into other sources of funding that favour co-operative-type developments, but I do not know of anything specific. That is ongoing work really.

[32] **Mike Hedges:** I have three points. What have you done to make public land—not local authority public land, but other public land—available for affordable housing? As you know, the cost of land plays a major part in this. At one time, housing associations were very good at developing shared ownership. They seem to be less good at it now. Is there anything more that could be done to promote that? Housing co-operatives have worked very successfully in parts of England in the past. Sometimes, it is support that co-operatives need as much as anything else; it is not necessarily a case of giving them lots of money. Sometimes, we think that it is a case of needing money first and that everything else will follow. Sometimes, support can be as important as money. It is a case of supporting the general principle and putting people in touch with each other.

[33] **Mr Edwards:** To take the last issue first, I should declare an interest in that I am a board member of the Wales Co-operative Centre as well. One of its strategic priorities is to look at what more it can do to increase the supply of housing and to introduce mutualism to the housing sector. However, of course, there has been a huge development in that area that is not necessarily about new supply, namely the stock transfer programme. We now have four large-scale voluntary transfers at our community mutuals. They have adopted community mutual principles and are looking at how they can extend that into other areas of housing and regeneration. So, as a model, it is important. Culturally and historically, it has a strong resonance in Wales. Organisations such as the Wales Co-operative Centre probably need to be resourced to ensure that they are able to provide support, because I think that you are right, Mike, that the issue is not always access to funds, but having the right advice and support to make things happen in practice.

[34] I am not an expert on shared ownership, but I think that you are right, it has gone off the boil a little. It was probably a lot more topical 10 or 15 years ago, but a lot of registered social landlords are doing some good work.

[35] **Ms Hiscocks:** On shared ownership, we must recognise that there are many different models and products in the broader category of shared ownership. In Wales, homebuy has been successful, and it seems to be a model that lenders like. Shared ownership, in the sense that you own an equity stake and pay rental on the remaining part, has been more popular in England in the past.

[36] Picking up on Mark's point regarding the role of the lenders and the way that they perceive these products and the availability of mortgage finance, it is a big issue, and will continue to be in developing these sorts of products. In the current climate, they are increasingly seeing them as high-risk products and are not necessarily willing to lend on them. We are trying to work with the lenders at the moment, together with the Council of Mortgage Lenders and the Welsh Local Government Association, to try to overcome some of these challenges between strict criteria on, for example, section 106 agreements, where they must be for local people, with strict occupancy cascades, and meeting the needs of the lenders who want more flexibility in terms of access to the property if things go wrong. In order to try to engage the lenders on that issue, we are developing guidance to try to pin down those parameters and what lenders are willing to lend on. That is an important point when talking about developing shared ownership.

[37] **Mike Hedges:** What about the land issue?

[38] **Mr Edwards:** I am probably going to repeat myself in that I think that there could be a strong strategic lead from the Welsh Government on this. However, we also need to engage the Welsh Local Government Association and all the other public bodies that have a potential role to play in this. Again, there was the protocol in 2006, but we have not seen any movement to flesh that out and make it happen in practice.

[39] **Gwyn R. Price:** Will you expand on your concerns about the impact of welfare reform upon the new housing supply? You have mentioned it several times in your paper.

[40] **Ms Hiscocks:** It is important, and it is an area that is not necessarily directly linked when you initially think about it. The role of housing benefit in developing affordable housing is critical, because the whole system by which lenders lend to social landlords is based on having a stable income stream, and the majority of it comes through housing benefit. So, we cannot underestimate what any potential changes to that system will have on the way that we deliver affordable housing in this country. CIHC has been concerned about that since the announcements were made because it was not really seen as part of the bigger picture of



housing supply. All our messages on housing benefit reform have been based on that. So, you cannot underestimate the impact. We have already heard anecdotal evidence about lenders either withdrawing from the market or charging higher loan costs simply as a result of proposed changes to direct payments to tenants or universal credits, and so. We have already started to see that impact, which is concerning.

[41] **Ann Jones:** We will now move on to the next section, which is partnership working across sectors. Rhodri Glyn Thomas and Ken Skates have questions.

[42] **Rhodri Glyn Thomas:** Yr ydych yn cyfeirio yn eich papur ac yn eich tystiolaeth lafar y bore yma at y newidiadau yn y farchnad dai. Yr ydych yn rhagweld y bydd angen ymateb i ystod amrywiol o anghenion yn y farchnad ac y bydd y sector rhentu preifat yn datblygu i ymateb i hyd at 30 y cant o'r farchnad honno. Beth yn union yr hoffech ei weld yn y Bil tai a fyddai'n galluogi'r sector preifat i ymateb i'r angen cynyddol hwnnw?

**Rhodri Glyn Thomas:** You referred in your paper and in your oral evidence this morning to the changes in the housing sector. You anticipate that we will need to respond to the diverse needs in the sector and that the private rented sector will develop to respond to up to 30 per cent of the market. What exactly would you want to see in the housing Bill that would enable the private sector to respond to that increasing need?

[43] **Mr Edwards:** Thank you for the question. One thing that we use as a lodestone is the Communities and Culture Committee's report on the private rented sector, which a number of Members were involved in, in the last Assembly. It came up with a series of recommendations. We are doing some work—or Vikki is doing some work, I should say—with regard to thinking about what precise policy responses there need to be. However, in the concept of a housing Bill, there are opportunities to look at how far we go with regulation of the sector, how far we go on the carrot side of it, by encouraging good practice and improving standards, and CIHC certainly has an interest in management standards within the private rented sector, as well as the physical standard of the properties. So, there is a potential, over the next few years, to engage across the sectors to see what that legislation should look like. However, there is a definite referral back continually to what you might call the seminal report of the previous term.

10.00 a.m.

[44] **Kenneth Skates:** Is enough being done with mortgage lenders with regard to being able to access finance for affordable homes?

[45] **Mr Edwards:** There have been a lot of ongoing partnerships between the financial sector and RSLs, not least with regard to the stock transfer programme, which brings something like £3 billion-worth of investment into Wales. We did some calculations in CIHC in the i2i project that showed that that is probably five times what would have been achieved as a transfer had they stayed with a local authority. A lot of that is predicated on lending through the financial sector. So, in terms of where we are and in terms of Wales perhaps being ahead of the curve in some ways—given that there is currently more lending to stock transfer organisations in Wales than there is in England, because of the cycle of improvements—we have a good record of getting that money in, but a number of people have already flagged up the fact that that might get a lot more difficult in the future, particularly if people are looking at different policy agendas.

[46] **Mark Isherwood:** As a former practitioner, when low-cost home ownership schemes were first introduced in the mid 1990s, the then Tai Cymru came out to engage with us, the lenders, before the launch of the scheme. In fact, I launched in north Wales what the Principality launched in south Wales, but only after we had all agreed the terms and

conditions with each other. Do you not agree that that must be essential to future delivery? That was at the point where shared ownership moved onto shared equity as the preferred model, because it was felt that the public investment could generate more. The Welsh Government, of course, continued that by not allowing social housing grants to be used for shared ownership, only for the homebuy scheme.

[47] **Mr Hiscocks:** Absolutely. We need to make it as attractive a sector to work in for the lenders as possible. We are aware that national lenders that work across Wales, Scotland and England have to come to terms with a variety of different products and initiatives and that those are changing all of the time. That creates a lot of work and puts extra pressure on lenders to keep up with that market. So, if you can make that as easy as possible by engaging at the earliest stage, then that can only be a good thing.

[48] **Mr Edwards:** I have two very brief points. The Council of Mortgage Lenders obviously has a seat around the table with regard to the programme board, and the Welsh Government is also an active participant in that. The Principality pioneered the Welsh housing partnership model as well. So, there is some good stuff happening, even though we do not underestimate how difficult it is going to be going forward.

[49] **Ann Jones:** We will now move on to the innovation in new ways of working. We have questions from Janet and then Bethan on this.

[50] **Janet Finch-Saunders:** Do we need some innovative new ways of working or do the current systems in place need to work better?

[51] **Mr Edwards:** The sector is up for innovation—the history of the past four or five years demonstrates that—and that includes RSLs, local authorities and the private sector. It is clearly the role of Government to facilitate that greater partnership working, first by setting a clear policy steer to the sector and secondly by making more resources available. Those might not necessarily be huge capital resources, but some of the things that we have talked about, such as the social housing management grant programme, which trains housing professionals, allows cross-sectoral planners and housing people to get together to upskill and to work more effectively in partnership. That seems to be a smart use of resources when we might not have the big capital funding available.

[52] **Janet Finch-Saunders:** My authority has put a substantial amount of money to one side to help with deposits. What are your views on that?

[53] **Mr Edwards:** Again, it is about whether you can universalise experience like that, particularly given that local government is facing severe financial difficulties of its own. We would welcome any contribution to good practice that allows for that sort of initiative, but, realistically, the ability to replicate that good practice might be limited due to other considerations.

[54] **Bethan Jenkins:** Yr ydych wedi dweud yn y gorffennol eich bod yn cefnogi datblygu cynllun cenedlaethol ar dai fforddiadwy. A ydych yn gweld ffordd o ddatblygu hynny drwy Bartneriaeth Tai Cymru, sydd newydd ei lansio, neu a ydych yn credu bod angen corff arall i greu'r cynllun hwn?  
**Bethan Jenkins:** You have said in the past that you support the development of a national scheme for affordable housing. Do you see any potential to develop that through the newly launched Welsh Housing Partnership, or do you think that another organisation is needed to create such a scheme?

[55] **Mr Edwards:** We probably have the infrastructure in the relationship between Government and the sector to develop effective partnerships. Also, we recognise that new and

innovative models, such as the Welsh Housing Partnership, have a role to play. I noticed that, in its paper—you might not have seen it yet, but you will have the evidence next week—Community Housing Cymru talks about a national housing target. We would be in favour of a national affordable housing target, but one that is based on evidence and realistic expectations as to what could be delivered, and also based on a sector-by-sector consideration of what everybody can be realistically expected to bring to the table. So, we are definitely in favour of a much more strategic and joined-up approach, but in some ways, the infrastructure is there already if we have a strong strategic lead.

[56] **Bethan Jenkins:** Who would be the strategic lead?

[57] **Mr Edwards:** At a national level, a national affordable housing plan, or whatever you would want to call it, would have to be led by the Welsh Government, but on the basis of co-production with the partner organisations.

[58] **Ann Jones:** Thank you. We have desperately run out of time. There are loads of questions floating around in my head and, I am sure, in the heads of other Members. If there are other issues that emerge as part of the inquiry, may we write to you?

[59] **Mr Edwards:** If there are any supplementary questions, just send them on and we will get the answers back to you as soon as we can.

[60] **Ann Jones:** Thanks very much. You have been to committee before, so you will know that you will have a copy of the transcript to check the accuracy. I thank you both very much for coming at the start of this inquiry; we appreciate it.

10.06 a.m.

**Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Canolfan Polisi Tai, Prifysgol  
Efrog  
Inquiry into the Provision of Affordable Housing: Centre for Housing Policy,  
The University of York**

[61] We move on now, because we are running short of time, to our next witness, Professor Steve Wilcox. We are delighted that you can join us this morning. We received your paper at 2.30 a.m. today—perhaps you have just not slept all night and travelled straight down here. We will publish that paper afterwards. I believe that it is quite technical—I have had a quick look at it, but I have not read it properly. If there are any issues that we tease out in questions on which we need further information, perhaps we can write you, once Members have read your paper. I invite you to make a few opening comments, after which we will move on to questions.

[62] **Professor Wilcox:** My apologies for not getting my paper to you earlier—life has been rather hectic, one way and another.

[63] **Ann Jones:** That is all right.

[64] **Professor Wilcox:** I can summarise, in five or 10 minutes, the key points from the paper. I should start by declaring an interest, in that, in a consultancy capacity, I am working for the Welsh Government in connection with the reviews of social sector rent policy and the reviews of council housing finance. Of course, anything that I say today is purely my own view on the matter and represents independent thinking.

[65] The first thing to say is that these are very difficult times, and there is no silver bullet

or magic wand to deal with the situation. Inevitably, some very hard choices will have to be made by the Assembly and the Welsh Government in terms of their priorities. There is a particular conflict between the long-standing objective to move towards a consistent and equitable approach to rents across the social rented sector, between housing associations and local authorities and between individual landlords within those sectors on the one hand, and with the opportunistic things that you can do to improve the supply of some kind of affordable housing going forward, given all the budget constraints that you face, on the other hand. That is a key dilemma, and I fear that it is one of those things in which you cannot have it both ways: you have to decide to jump one way or the other.

[66] In a sense, Wales is not helped at all by the financial devolution settlement. The argument has been well rehearsed that, in overall terms, Wales does not do terribly well out of what is called the Barnett formula, but there are particular aspects of it with regard to council housing finance that are problematic, in that they create perverse incentives in the way in which devolved administrations could operate—I will come back to those in the moment. The other thing is that it is a matter of record that, in the years since devolution, the Welsh Government has given a relatively low priority to investment in new affordable housing. The level of supply and the level of funding have been lower in Wales relative to the trajectories in both England and Scotland in the devolution years. In the difficult context of the poor devolution settlement, there has also been a choice by the Welsh Government to prioritise expenditure on other programmes, although, of course, in the last few years, things have looked up, with various initiatives.

[67] One option that one can look at in terms of increasing the supply of some kind of affordable housing involving lower grant is around intermediate rent schemes. At the moment in Wales, this is only being contemplated for those households that also have what you might call intermediate incomes—people who cannot afford to access the market, but who have incomes in some way above those typical for applicants for social sector housing. You will be aware that England has gone beyond that, and is now using intermediate rent schemes for the generality of housing needs applicants. That creates a major inconsistency in equitable terms, because the tenancy goes into this relatively higher rent sub-market scheme compared to those in social housing. However, it does get some kind of show on the road in terms of affordable housing outputs, and that is one of the dynamics.

[68] In the Welsh context, the other thing that came up in one of the questions earlier is that there are other initiatives that are open to the Welsh Government to deal with issues about households with intermediate incomes, many of which are frustrated first-time buyers rather than people who have a long-term aspiration for intermediate rent per se. There was reference to some local authority funding for deposits, and that could be provided in a number of ways, both through loans and through guarantees to enable mainstream lenders, without penalty, to advance low deposit on low deposit mortgages. Those kind of schemes were common way back when in the 1970s, before we had deregulation of the financial sector. Local government guarantees for mortgages were a matter of practice, and, in those days, that long ago, I worked as a housing adviser in London and one of my jobs was vetting applicants for those kinds of schemes. It seems to me that the time has come to reconsider those options, because they are very cost-effective. Where it is the deposit that is the barrier rather than pure income, it is far more appropriate than some form of shared equity or shared ownership.

[69] That is the good news in terms of there being some things that you can do at relatively little cost. The key dilemma for the Welsh Government is that it is currently consulting about moving to a rent policy, but because existing housing association rents are, on aggregate, some way above local authority rents, a rent convergence policy would mean local authority rents increasing more rapidly than housing association rents. That is not good news for housing associations that want higher rent in order to subsidise new development. Equally, it is rather problematic at the moment for the local authorities, both because their

tenants face more rapid rent increases, and because there are unresolved negotiations with the Treasury about the financial settlement in respect of council houses. There has been a settlement in England, which is around the abolition of the council housing finance annual subsidy regime—the HRA subsidy—and English local authorities are set to buy their way out of having to make future transfers of revenue services to the Treasury as a one-off deal. The terms of any kind of settlement for Wales are yet to be negotiated. The case has been made, and rejected by Treasury, that actually, 12 years after devolution, there should be parity between the devolved countries, and that Wales should be treated in the same way as Scotland, which does not have any requirement to transfer rent surpluses to the Treasury and which can borrow unconstrained. It is prudential borrowing, and counts technically as what is called annually managed expenditure; it does not count against the primary and cash-limited budget of the Scottish Government. In that context, in Scotland, local authorities are becoming big players again in the delivery of new social rented housing, because they have a better asset base than housing associations—it has been relatively untapped.

10.15 a.m.

[70] They have the advantage of having very low historic costs, and they have been able to initiate a programme of new council house building with a relatively low grant rate in Scotland, primarily led by local authorities. That option is not open to Wales. The borrowing by local authorities is controlled and counts against the Welsh Government. The settlement in England is not logical in that, once you have had a financial resettlement, any future local government borrowing should be prudential borrowing, but the Treasury has imposed a restriction that says that local authorities in England cannot borrow more than their opening level of debt following the HRA restructuring.

[71] So, there are a number of critical issues for Wales in the negotiations with the Treasury. One is to minimise the level of pay-out to buy out of the future streams of revenue transfers. If you compare the situation with that in Scotland, ideally, there would be no payment at all. However, getting out of those commitments by reaching some compromise is probably now necessary, as the Treasury, understandably in one sense, is being somewhat obdurate. The other issue is about the capacity for local authorities to borrow against their revenue streams. They will not have a lot of surpluses initially after debt restructuring exercises, but, over time, potential surpluses through reduced historic costs should emerge and should provide local authorities with the opportunity to cross-subsidise new developments of new affordable housing, as well as to meet their obligations under the Welsh housing quality standard.

[72] However, that critically depends on the settlement with HM Treasury. So, in the meantime, the dilemma that the Assembly and the Welsh Government face is whether you have a policy that is consistent in terms of rents, and therefore relatively equitable for tenants within the sector, or whether you press the opportunistic buttons where you have constraints on increasing council rents in terms of potential housing benefit subsidy costs under the concordat, but there are no constraints in terms of housing benefit costs on any increase in housing association rents. In other words, you could do high-rent, high-housing-benefit-cost schemes in the housing association sector, and the Department for Work and Pensions would pick up the tab. You do not have that option in the local authority sector. So, that is the opportunistic road to go down in order to get something on the road in terms of new affordable housing outputs, but it blows wide apart any notion of having an equitable approach to the rents of tenants across the sector. That is the central choice.

[73] **Ann Jones:** That was a very concise canter around your paper, so thank you very much. We will move on to the strategic direction. Mark will start and Joyce will follow on.

[74] **Mark Isherwood:** Thank you very much for that introduction, Professor Wilcox.

You made reference to many issues in England, such as the revival of right to buy, the affordable rent model, and so on. Following the right to buy announcement in England, I nonetheless understand that there will be an incentive for a local authority to reinvest in new housing development. Would that be permissible, deliverable or negotiable for Wales, or is it something that is beyond our aspiration? The UK Government has launched an initiative on a limited scale called the First Buy scheme and the affordable rent model, but it is keeping the two separate, whereas proposals from the Welsh Government before the election this year were for rent first and then capacity for equity purchase within the same model. Do you have a view on whether the two should be kept separate, or whether a combination is the most effective way of maximising future supply?

[75] You mentioned HRA, and I know that you have given evidence to previous committees in this context. However, the Bevan Foundation report published early last year hypothesised the amount of money forgone to Wales. Members also had a letter earlier this year from the Welsh Government from, I think, Huw Lewis, indicating that, in 2001, when there were changes at UK level for England allowing local authorities to retain money for major repairs instead of refunding under HRA, there was an offset reduction in budget in another department. It indicated that, were Wales allowed to do the same thing, there could be a reduction in budget elsewhere. Could you comment on the Minister's letter regarding that?

[76] You talk about local authorities cross-subsiding affordable housing developments in future. Do you believe that that subsidy should be for providing funding and strategic direction or should the local authorities act as landlords? Are you talking about working with other agencies—registered social landlords or others—to develop that?

[77] Finally, on affordable housing that does not involve public subsidy, what role do you see for RSLs and homebuilders in a deregulated environment to develop schemes such as the one I heard about the other day, where the first-time buyer buys 85 per cent of the property? They only have to put down a 5 per cent deposit, but they have to acquire the remaining 15 per cent after 10 years. Is there some room for the Government to work with the sector to develop schemes of that type?

[78] **Ann Jones:** There is quite a lot to talk about.

[79] **Professor Wilcox:** There is. How long do you have?

[80] **Ann Jones:** We could be here until midnight, but we will see how we go.

[81] **Professor Wilcox:** On the right to buy, we have not yet seen the detail of what is proposed in England. The bald statement has been made, but we will not see the detail for a while. A key point on the right to buy is that if you get the discounts at an appropriate level, the right-to-buy scheme can be a useful part of policy in representing reasonable value for money for the public sector, as well as in creating opportunities for the householder in the rented sector who wants to become an owner. Essentially, someone who has been given a secure tenancy at a significantly sub-market rent is receiving an annual economic subsidy. It is appropriate, against that, to say that, if they want to buy and occupy the dwelling as an owner rather than a tenant, there might be some equivalent subsidy. If you look at the issue historically, there were patterns where you had secure controlled rents in the private sector; landlords readily sold at a discount to those tenants, because that was the economic value of the property subject to that secure sub-market rent tenancy. It is about getting the discounts in the right proportion. There are opportunities, but you do not necessarily have to follow the detail of the English model: do the math and work out what is a viable approach in Wales. By and large, I think that it is fair to say that while right-to-buy discounts were, in public sector value-for-money terms, excessive during the 1980s, they are not now. In Wales and most of England, they are now at levels below the level that would represent a reasonable economic

return to the public sector. There is, therefore, some scope for flexibility.

[82] On the way that rent and ownership are packaged up in intermediate schemes, a lot of these schemes are predicated on the current state of the housing market and the difficulty in securing mortgages. It would be appropriate that, as we move back to what is probably a better overall supply of mortgages to the mortgage market, we begin to distinguish between the schemes and to operate them separately. That is not to say necessarily that the wrong approach is being pursued at the moment, because these are peculiar times. Going back to the point that I made earlier, where the issue is with deposits, policies such as mortgage guarantees are far more effective than either intermediate rents or shared ownership.

[83] The letter to the Minister was essentially about the response from the Treasury saying, in effect, that Wales was treated the same way as England in terms of the financial settlement for council housing over the devolution years, and you were not short-changed at any point. There was a reduction in the direct level of borrowing by local authorities in England, because, in a sense, the provision for the major repairs allowance was introduced as part of the subsidy system in England and not as part of the capital system. In essence, the Treasury is arguing that the volume of capital funding, which is one of the bits that is covered by the Barnett formula, was treated as if the MRA had continued as a capital sum. There was, therefore, no detriment to Wales relative to England in those arrangements. However, if you add the MRA to the level of capital provision in England as it was at the beginning of devolution, that led to an increase in the total level of provision for housing investment. That was reflected in the overall budget settlement for Wales during that period and continues to be reflected. We are assured by the letter from the Treasury in subsequent settlements. So, there is a little bit of a gloss in the Minister's letter, understandably trying to make the best of a bad deal. The bad deal being that the Treasury has said that it will continue to treat Wales in the same way as England; it is not going to treat Wales in the same way as Scotland. That is one point.

[84] I do not have an overwhelming view on whether local authorities should use emerging funds strategically or whether they should use them themselves. It should be considered on a case-by-case basis regarding who is going to make the most intelligent use of that funding. Equally, because there is not a way of prying this money out of the local authorities, assuming they go ahead with the debt resettlement, I am sure that they will be more incentivised to make the funding available to use for themselves unless there are real constraints on them doing that. If we end up with borrowing controls on local authorities, looking at other partners to do the development would be a more effective route. However, at the moment, it is an open call whether or not those constraints will be imposed.

[85] Finally, on using the planning system and looking at other market initiatives for providing schemes without grants, all of those things are worth doing. There is no magic bullet. Private developers are doing the kind of things that they are doing because of the constraints on the market at the moment due to mortgage availability and so forth. That is what they need to do to get their product away, and they find that they are not doing that. There is no magic bullet there. We are going to have constrained markets for some time. The funding available from cross-subsidy, from planning gain is going to be constrained relative to the way it was over the past decade. There are also aspirations for higher levels of energy efficiencies in new dwellings. Those, too, have a cost that is not reflected in the market value of dwellings. So, again, that will eat into the capacity for cross-subsidy.

[86] **Ann Jones:** I propose to run this session for 10 minutes more than planned. So, we will continue until 10.40 a.m., but that is not an excuse for Members to make long preambles before they ask a question. We are only on the first section, so Members need to just ask questions and we will see how far we get. Joyce will ask a question now.

[87] **Joyce Watson:** You were talking about strategic direction, and you have mentioned affordable rent opportunities and intermediate rent opportunities. How are we going to take an all-Wales strategy forward without having a two-tier system running alongside that? In other words, there is more affluence in some parts of Wales than others, and the impact will be greater in delivering intermediate rent opportunities in some areas than it will be in others. How are we going to establish an overall strategy without ending up with a two-tier system?

[88] **Professor Wilcox:** That is difficult. The logical two-tier system is about targeting intermediate housing products, whether they are renting, sharing, shared ownership or whatever, for those households in the intermediate income bands. The number of households that are in those intermediate income bands will vary from one area to another. The relationship between earnings and house prices is variable across Wales. So, that kind of programme would be uneven, but it is logical that it should be uneven. However, it is still, potentially, a cost-effective way of assisting households that cannot secure market housing and providing them with additional housing. So, that would be a positive. The greater dilemma is around issues for households that are not in those middling intermediate income grounds, which is more about the provision of more traditional social rented housing. It is about how you can take forward a more coherent policy in terms of rent, which may mean rent on aggregate is higher than it is at the moment, in terms of providing that trade-off between affordability and the level of development that you need in future. That is always a hard call. It has been perennially thus.

10.30 a.m.

[89] There are real barriers with regard to the way that that is done, given the way finances operate in the council sector and the housing association sector. Frankly, one of the things that needs to be pressed on the Treasury—and it is actually in its interests as well—is that it needs to move away from this settlement in the concordats, which apply to Scotland as well as Wales, where it has controls over council rents in Scotland or Wales increasing more rapidly than in England, in which case the devolved Governments have to pick up some part of the housing benefit tab, but it has no control at all over what is happening in the housing association sector. That creates perverse incentives for the devolved Governments and does not provide an effective financial protection for the Treasury.

[90] My view is that, if you take the view that devolution settlements should be providing open and even choices to the devolved Governments, the Treasury needs to revisit the framework for looking at the balance between the way it looks at housing benefit costs and the way they are covered through DWP and the scenarios in which any part of those costs across the affordable rented sector might need to be covered by the devolved administrations, based on their choices on relative movements on rent. However, at the moment, we do not have a logical system.

[91] **Ann Jones:** We will now move on to the next section. Mike and Peter Black, if you both ask your questions, we will ask Professor Wilcox to answer them both at the end. Take the issues around alternatives to public subsidy and making better use of existing resources.

[92] **Peter Black:** There are so many thought-provoking things there—

[93] **Ann Jones:** I know. We may have to return to this.

[94] **Peter Black:** I have two quick questions. I want to clarify the issue of borrowing on the housing revenue account. My understanding was that, if it is not supported borrowing, local authorities can borrow in a prudential way on their housing revenue account and that that is limited only by their revenue. That was certainly the case when I went through an options appraisal in terms of the stock transfer. Can you clarify that? Yesterday, the Minister



said that, with regard to co-operative housing, which is his favoured form of housing, there may be additional revenue streams that may bring more money into the sector as a result of pursuing the co-operative course. Are you aware of those revenue streams and, if so, what sort of level are they likely to be available at?

[95] **Mike Hedges:** I had more questions until Peter Black went in there. [*Laughter.*] Following up the issue of the co-operative sector, is there an opportunity to use the co-operative sector as a means of producing more houses? On another matter, you may remember that, when housing associations were first envisaged, they were not as they are now. They were envisaged to be small organisations dealing with things locally. Is there an opportunity to go back to the original type of housing association rather than the monolithic developments that we have seen in recent times?

[96] **Professor Wilcox:** I will start with the issues around co-ops. Like many people, I think that co-ops are good things that, ideally, should be promoted. However, I do not think that they are a magic wand. If the Minister is talking about some additional funding streams coming forward, all well and good, but I do not know precisely what those might be. Whether it is co-ops or a particular form of community land trust, the key value is that they are not-for-profit organisations that hold and build assets on the basis of historic costs over time. If they can engage their tenants in different ways, there may be some opportunities for cost savings and some forms of sweat equity in various areas of their operation, which, again, can be very positive.

[97] However, historically, they have had a relatively modest role. Most people want to get on with their lives. It is not like us sitting round this table taking a passionate interest in housing policy; they want a house as a home, somewhere they can live so that they can get on with the rest of their lives. They do not necessarily want to spend all their time at committee meetings about the housing co-op. Some people do, and I have been through that at various phases in my life, but it is not what I would be looking for as a lifestyle later on or at the point when I had a family with young children. So, yes, there is a positive, nice warm feeling, but I am not aware of what the additional funding streams are. However, if the Minister is saying that there are some, then one must be delighted.

[98] The housing revenue account borrowing position is that there is a distinction between supported borrowing, which counts against departmental expenditure limits, and prudential borrowing, which counts against annually managed expenditure, and is not controlled in the same kind of way. Perversely, despite every local authority in Wales generating a surplus that is transferred to the Treasury, because they are within the grip of a subsidy regime—albeit a negative subsidy—all the borrowing that they undertake, which is predicated on the figures that go into the formula for a given level of investment, is deemed to be supported borrowing. It is the sum for a level of investment that goes into the formula and comes out with a negative subsidy figure. It is only when there are efficiencies on management and maintenance and so on in the margins that local authorities have the capacity for prudential borrowing.

[99] If you envisage the kind of debt resettlement that is coming in England, where you have a one-off redistribution of debt and, thereafter, there will be no continuing subsidy, it would be logical that all borrowing by local authorities would be prudential borrowing against annually managed expenditure. The Treasury has explicitly said that that will not be the case in England. There is also something of a worry that, in the budget statement last year, the Treasury said that it was looking at annually managed expenditure and wanted to come up with some thoughts on how that could be more regulated and controlled going forward. You can see the direction of travel for the Treasury. However, although it has imposed this control on future borrowing as part of a deal with the Department for Communities and Local Government, it is less clear to me how the strictures of the devolution settlement provide the

Treasury with an easy opportunity to try to impose that. I think that it would be changing the terms of the devolution settlement if it wanted to impose a limit on future borrowing by local authorities following a debt resettlement. That is one of the issues for negotiation.

[100] **Gwyn R. Price:** What impact do you believe that UK welfare reform will have on the demand and supply of affordable housing?

[101] **Professor Wilcox:** It will not have a great effect on the affordable housing supply, but it may impact on the demand. It is not the wider welfare reform, but the housing benefit reform that is going through that is restricting access within the private rented sector. We do not yet know what the exact impact of that will be, but we know that there will be some market adjustment. Equally, there is likely to be some reduction in supply to households on low incomes. In the current market, there is a lot of competition for higher income households, including frustrated first-time buyers, that private landlords can look to as alternative tenants and therefore resist the pressure to reduce rents as they would need to do to let to households on housing benefit. There is a demand issue there.

[102] On the supply issue, the housing associations in particular have been very exercised by the restraints coming in that would involve direct payments to the claimant as part of the universal credit regime. There are also issues about increases in the level of non-dependent deductions and increases in the introduction of limits on benefits when tenants in the social rented sector are under-occupying a dwelling relative to the bedroom standard. Those may be problematic in a number of areas not only for the households concerned, but in terms of rent arrears issues for the landlords.

[103] On direct payments, there are two issues. First, there will be a default mechanism in that when a tenant moves into arrears, direct payments will then be made to the landlord, which will cap the exposure of landlords to rent arrears. Secondly, the universal credit offers landlords the prospect of a better safety net than the housing benefit scheme. In the housing benefit scheme, if there is a deduction from the housing benefit, because of the size of the property or because of non-dependant deductions, it is only the net housing benefit that can be paid directly to the landlord. In the context of universal credit, it would be possible for the full amount of eligible rent to be paid to the landlord, with the claimant left to manage reductions related to non-dependent deductions or size limits. This is still problematic for claimants, but it is more manageable in terms of the business plans of social landlords. In broad terms, there are important issues for households around wealth benefits, but not so much for landlords.

[104] **Ann Jones:** We are desperately short of time, and I know that we have not touched upon partnership working across sectors, innovation and new ways of working. If Members could submit their remaining questions to the clerk, we could send them to Professor Wilcox and obtain a written response. I am sorry that we have run out of time. When Members have read Professor Wilcox's paper, if they think of any further issues that they would like to raise with him, we could submit them in writing too. Professor Wilcox, you will receive a transcript of today's meeting to check for accuracy.

[105] We will now take a short break.

*Gohiriwyd y cyfarfod rhwng 10.41 a.m. a 10.47 a.m.  
The meeting adjourned between 10.41 a.m. and 10.47 a.m.*

**Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Shelter Cymru a Chymorth  
Cymru**  
**Inquiry into the Provision of Affordable Housing: Shelter Cymru and Cymorth  
Cymru**

[106] **Ann Jones:** Welcome back. I welcome J.J. Costello, head of strategy and development for Shelter Cymru, and Joy Kent, director of Cymorth Cymru. I know that you listened to the previous witnesses. Thank you for your papers. Do either of you have any brief opening remarks that you want to add your papers, or are you happy to go straight into questions?

[107] **Mr Costello:** It would probably be worth mentioning where we are coming from and the perspective that we hope we contribute. Shelter Cymru provides vital support to about 7,000 householders a year, and campaigns on some of the issues that arise out of that. Cymorth Cymru, dealing with supported housing, is focusing on the most vulnerable end of people in housing need. We build up a picture of need from those interactions, and that is what we hope to contribute today.

[108] **Ann Jones:** We will start with the strategic direction. Mark and Joyce, I know that you are going first, but in order to avoid having to squeeze everyone in at the end, it would be helpful if you were brief.

[109] **Joyce Watson:** What could the consequences of reductions in social housing grant be for homelessness services and supported housing? Is there currently too much focus on intermediate housing at the expense of traditional social rented housing or supported housing?

[110] **Mr Costello:** There has already been some debate today about the role of intermediate housing and intermediate rent. You have to take a whole-system view. There are frustrated first-time buyers and there is more pressure on the private rented sector than ever, so there is a role for an intermediate rents product within the range of options available to people.

[111] The households that we are dealing with are, typically, low-income households, and they would not necessarily be able to sustain some of the intermediate rent tenancies that are currently being developed. So, although it is important to explore the breadth and innovation coming out of some of the RSL developments, especially those looking to develop sub-market tenancies with limited public subsidy, we also need to remember that that will be out of the reach of a proportion of low-income households.

[112] **Ms Kent:** I concur with that. The organisations that Cymorth represents support around 50,000 people each year with whatever their needs may be. Those people will not generally be able to access that intermediate rent product, so—although I am not against it as a product and as part of a whole-system approach—it is not something that will solve the problems of the people we work with. To put that into context, 50,000 people a year access support, for a whole host of reasons, such as mental health issues, learning or physical disabilities, drug and alcohol issues and domestic abuse, in which we are seeing increases all the time. Given that we have such limited public resources to spend and that I work for Cymorth Cymru—my interest is in vulnerable people—I would like to see a good proportion of that public money going towards the most vulnerable in our society.

[113] **Mark Isherwood:** I have just two questions.

[114] **Ann Jones:** Thank you; that is very good of you.

[115] **Mark Isherwood:** First, what will the consequences be of the proposed changes to the Supporting People programme and Supporting People revenue grant regimes on homelessness services and housing-related support? Secondly, what will be the impact—good or bad—of UK proposals to pay local housing allowance direct to private landlords for more vulnerable tenants, if the landlords agree to sub-market rent?

[116] **Ms Kent:** I will start with what is happening with the Supporting People programme, which was reviewed by Professor Mansel Aylward in 2010. We are now in the final stages of putting the flesh on the bones of those proposals, and they should be going out to consultation soon. It has been a collaborative response; a number of organisations have taken those recommendations on board and are trying to make them a reality. I would be lying if I said that people were really confident that everything will be hunky-dory, because we all know that we are living in very difficult times and that there are demands. Providers are working in difficult contexts and, on top of that, we are really turning things upside down and changing things with the way that the Supporting People programme is to be administered, monitored and so on in the future.

[117] Having said that, given the increase in demand, we need to make the best possible use of the Supporting People programme. Although it is scary to be doing that at this point in time, it is probably the right time to be doing it, because we need to get the best out of that programme. We agreed with the recommendations and I hold on to the hope that the way that they are taken forward will have real and positive outcomes for the people who need support services. So, my response to the question is that I hope that it will be an improved programme, with more resources and services and more people helped in a more flexible way in terms of meeting their needs.

[118] The UK proposal for paying local housing allowance directly to private landlords sounds like a good idea. There are good landlords but there are also some very shocking landlords. Anything that we can do to incentivise the good landlords to work with vulnerable people is fantastic. There is a fantastic social lettings scheme called Agorfa, which I know that Mark knows all about, which is based in north Wales but is spreading like wildfire. I fully support that scheme. Building partnerships across the third sector, private landlords and support organisations has real benefits for vulnerable people, and the more good private landlords that we can get involved in that kind of scheme the better. When that does not happen—this will be of no surprise to anyone around this table—we end up with the most vulnerable people living in the worst conditions, with the worst landlords, and that has to be a real focus for all of us, to stop that happening.

[119] **Mr Costello:** I had nothing to add on the Supporting People reforms and review. On affordability, direct payments to claimants have created a problem for some vulnerable people, and steps to address that that also encourage the negotiation of rents down have to be positive. In general, though, as a whole, the local housing allowance reforms bring a new challenge to your inquiry: it is not just about the supply of affordable homes, but whether people can afford to maintain the affordable homes that are already there. So, there is one positive aspect to a very challenging series of changes in that area.

[120] **Ann Jones:** We move on to the next section, which is about alternatives to public subsidy and making better use of existing resources.

[121] **Peter Black:** I have a quick question. Shelter in particular has highlighted the number of empty homes in Wales, and I have looked into that a fair bit myself. I am just interested in what tools you think the Welsh Government should be utilising to tackle that issue.

[122] **Mr Costello:** We have run a project over the past couple of years supporting local authorities around this issue, so we have a fairly good picture of the variations and the extent

to which this work is and is not going on. Some of the ingredients for successful work are access to a low-cost loans scheme, and having dedicated officers within local authorities. Currently, the environmental health focus is more on standards than on housing supply, so it is a case of building commitment within the local authority, and awareness-raising campaigns within a locality to engage people in these sorts of projects. One of the other hurdles that local authorities are citing is the complexity of the legislation—there is a slight risk aversion in getting to grips with some of the complex legislation involved in bringing empty homes back into use, so a review that would make that process more straightforward for them would also be welcome.

[123] **Peter Black:** Are there any more sticks that you can utilise to encourage owners to co-operate with local authorities? In the past, I have advocated charging more council tax on properties that have been empty for a longer time. Not only would that give money back to the community as compensation for the blight of an empty home, but it also would effectively say to landlords, ‘The longer your leave this home empty, the more it is going to cost you’.

[124] **Mr Costello:** The whole empty homes process involves a stick-and-carrot approach. There is a general feeling that the legislative solutions already there are adequate; it is the ease with which they can be accessed and used that puts a number of local authorities off, so that is ripe for review.

[125] **Mike Hedges:** I will carry on where Peter Black left off—the use of higher rates of council tax for people who are not actively marketing houses, which are just being left empty and moving towards dereliction, which can cause huge upset to the people living around them, as well as the fact that we are losing a property. There is probably an excess of bedrooms in Wales at the moment, and in Britain. There are also people who are homeless because the bedrooms tend to be in the wrong place, in that some occupiers of four-bedroomed houses live alone. Local authorities tend to say, ‘You are alone in a four-bedroomed house, so can you go into a one-bedroomed flat?’, which puts pressure on the individual to say, ‘I am better off staying here’. Could local authorities not be a bit more flexible and offer such people a two-bedroomed property instead? That would generate two extra bedrooms. They might still be under-occupying as far as the authority is concerned, but you have generated two extra bedrooms. That would be a means of dealing with some of the serious problems in housing.

11.00 a.m.

[126] **Mr Costello:** Incentives for moving down have to be an issue to look at. The whole idea of compulsory moving down seems to strike at the core of an established, settled home, which is the whole aim of housing. However, providing incentives for people to move down, akin to the home loss payments for compulsory purchases, may be a useful tool, certainly in the social housing sector to start with. The same applies to all tenures in wanting to make the best use of housing stock. The mechanisms would presumably be more complex in the owner-occupier sector, but certainly, in the social housing sector, you could see home loss incentives. There are little localised schemes operating in England with some success.

[127] **Ms Kent:** Thank you for giving me an opportunity to get on one of my hobbyhorses—this is more a Joy Kent thing than a Cymorth Cymru thing. You are absolutely right that under-occupancy is an issue. If we are looking at creative responses, then that is something that we need to consider.

[128] In addition to the empty homes that we often focus on—as you described them: the ones that are left derelict and are a blight on the community—my personal hobbyhorse is the issue of flats and others properties, such as those not very far from this building, that have been built, but not with the objective of ever becoming a home. It is about pension schemes

and investment, and they are left empty. I think that that is criminal when we have such a shortage of housing. I would like to see us being much more draconian in bringing those properties back into use, because it is criminal, when we have such a shortage of housing, to have so many waterfront developments all over the UK in which properties are just left empty. They are built as an investment, and not as a home, and that goes to the heart of the kind of problems that we have so many of in the housing system. Housing should be about homes, not primarily about investment.

[129] The other point, briefly, is to build on the fact that these are homes. I think that, sometimes, in terms of policy, we take a different approach to this. For example, we talk about social housing tenants and say that they cannot have extra bedrooms. There is a lot of talk at the moment about older people being encouraged to leave the family home to go into a one-bedroomed flat or the like. If that is what they want to do, because they want to downsize and all the rest of it, then that is great, and helping them to do so is great. I have a real problem, however, with us treating social housing tenants differently from how we approach owner-occupiers. Schemes should talk to people generally, whatever type of tenure they have, about whether that is where they want to live and whether there is anything we can do to help them. For example, the Welsh Tenants Federation has raised the issue of older social housing tenants who really do want to move, but it is a big thing to do when you are older and you need help with packing and other practical tasks. Having those kinds of schemes for everybody is great, because it is a big thing to do. At the moment, we have fantastic care and repair services that help older people to remain in the family home, and then we have other policy agendas that are asking people in social housing to leave their homes, and personally, I would like to see us not treating people differently according to their tenure.

[130] **Mike Hedges:** In my experience, an awful lot of people living in large properties of this kind, especially those with large gardens, are keen to downsize, but they do not want to downsize to a one-bedroomed flat; they want to downsize to something that has two bedrooms. That is the point that I was trying to make, namely that we should give them that opportunity. Compulsion was mentioned—from my knowledge of the area where I live, if you have compulsion, what you end up with is an awful lot of children buying their parents' houses, which will take them out of the council sector. The children will get together to buy four-bedroomed properties to keep their parents from being moved. Anybody who comes up with compulsion is going to find that it will lead to the exact opposite of what they want.

[131] **Joyce Watson:** Still on the issue of downsizing and under-occupancy, what representations are you making on behalf of people who have a carer? It is all right to look at an individual or a couple and say that they need one bedroom, but where a disability or some other condition does not allow a person to share a room, or where an additional room is needed for a carer, how do you represent those people in that situation?

[132] **Ms Kent:** You are absolutely right that it is an issue. In the current benefit reforms, it is accepted that if you need a carer you have additional room for that. For example, that will sometimes be misrepresented within social housing, and I know that a number of housing associations that were offering people two-bedroomed accommodation are now reconsidering because it will not be affordable for people. So, we are making representations to raise that issue, as it is a real issue.

[133] **Ann Jones:** We will move on to welfare reform. Gwyn?

[134] **Gwyn R. Price:** What impact do you believe the UK Government welfare reform will have on the demand and supply of affordable housing?

[135] **Mr Costello:** As I suggested before in terms of the supply, uncertainty is introduced to rent as an income stream, so it has the potential to have some adverse effect. Our primary

concern is about people's ability to access and maintain affordable accommodation. We are now looking at a scenario of sub-rent housing benefits becoming the norm, whereas they were something that some people in the private rented sector had to grapple with. However, it will now be very commonplace that there will be rent shortfalls across the board for under-occupation reasons and for bringing the rent payable down to the thirtieth percentile. The non-dependant deductions have great scope, particularly because the people that we advise do not recover those payments from the non-dependant in their property, and they struggle to maintain their rents as a consequence. So, there is a significant increased risk of rent arrears as a result of the housing allowance changes, and the extent to which that has an impact on rental income and the ability to run business models relying on rental income is plain to see.

[136] **Ms Kent:** We have real concerns about the impact of welfare reform. Your question goes to the heart of how to approach affordable housing, because you can approach it from the angle of this big strategic thing and formulas of how to define 'affordable' in a certain area, and things like that. However, for people, the question is whether an individual can afford that home. So, affordability is different for every individual. As JJ says, whereas the welfare reforms might not have an impact on what we define in general as the supply of affordable homes, they will have a direct impact on whether people can afford their home. So, it is about that different way of looking at it. For all the reasons that JJ mentioned, we are going to see a lot more people not being able to afford their home.

[137] To pick up on something that Steve Wilcox said earlier about universal credit, it is great that the housing provider will be able to reclaim the whole rent, but it is not great for the individual who is paying that. So, again, it is the impact on the individual that we sometimes forget in these big structural and strategic discussions, and what it actually means for that individual.

[138] In terms of supported housing, we have responded to a recent consultation not long closed. Particular proposals are being put forward on supported accommodation. We said that we would like for the proposals to be rethought and that we are happy to help people to rethink those proposals for a whole host of reasons, which I will not go into. However, to give you forewarning, supported housing will potentially also become unaffordable or less affordable for a lot of people in the future, at a time when we will need supported accommodation because of the human cost of economic difficulty.

[139] **Ann Jones:** The changes to housing benefit will have an impact, especially on people in the private rented sector. I am particularly interested in the top-up system where you get all sorts of schemes; for example, some landlords will allow you to become the manager of a block of flats to cover the top-up fee on your rent. However, that keeps vulnerable people in the poorer housing sector. We have to address that issue of where welfare and benefit reform will leave the most vulnerable in society. It is good to say that universal credit will ensure that the landlord can claim all of the rent, but, at the same time, that vulnerable person could be ripped off, as many have been in previous years.

[140] **Ms Kent:** As the welfare reform is such a huge change, with so many different changes to disability benefits, employment-related benefits and housing benefits all at the same time, it is difficult to identify what the impact is on each individual household. Whereas Steve said that the housing benefit proposal is the key one, from a citizen's perspective it is about the whole range of changes and how that impacts on you.

[141] **Anne Jones:** We are going to move on to partnership working across sectors. Rhodri Glyn and Ken Skates will ask questions on this.

[142] **Rhodri Glyn Thomas:** Mae Shelter **Rhodri Glyn Thomas:** Shelter Cymru and Cymru a Chymorth Cymru, yn y gorffennol, Cymorth Cymru, in the past, have

wedi pwysleisio rôl y trydydd sector o ran sicrhau tai cymdeithasol a fforddiadwy. Yr ydych wedi cyfeirio at hynny y bore yma yn eich tystiolaeth. A allwch ehangu ar sut yn union yr ydych yn gweld y trydydd sector yn cyfrannu at sicrhau mynediad i dai cymdeithasol a fforddiadwy yn y dyfodol? Gwnaethoch sôn am y pwysau fydd ar y farchnad dai. A ydych yn credu bod y trydydd sector yn cynnig allwedd inni fynd i'r afael â'r broblem hon?

emphasised the role of the third sector in ensuring the availability of affordable homes and social housing. You referred to that this morning in your evidence. Could you expand on how exactly you see the third sector contributing to ensure access to affordable homes and social housing in the future? You mentioned the pressure on the housing market. Do you think that the third sector offers us a key to tackle this problem?

[143] **Ms Kent:** To reiterate what Steve said, there is no magic wand. The only option available to us is collaboration, bringing all those partners together to play their part. The third sector is up for playing its part in dealing with what is ahead. Historically, the third sector has been good at bringing in additional funding, whether that is through fundraising or other ways. However, increasingly, third sector organisations are delivering public services on behalf of local authorities, and they are being hit by the same cuts as the local authorities. The strength of the third sector lies with vulnerable people. What constitutes affordable housing for someone is dependent on their individual circumstances. As I intimated in our response, if people have disabilities or learning disabilities, access to an affordable home is affected by those particular circumstances in a way that, for other people, it is not. That is where the strength of the third sector comes in. The third sector is good at working with people on an individual basis to meet their needs in specific circumstances, whether they are fleeing domestic abuse or having mental ill health or learning disabilities. The third sector, like everyone else, is facing challenges. It is part of the answer, and giving it the freedom to be creative and supporting that creativity through funding, is part of the answer. However, as Steve would say, it is not the magic wand or the silver bullet.

[144] **Mr Costello:** Similarly, the third sector draws in other grant funding, has a reputation for being innovative and quicker footed, and has a strong citizen focus. The area that we are talking about needs innovation to use the money that is available for affordable housing most creatively and to draw in additional money. There are options, such as the co-operative model, and to make better use of empty homes and to operate mortgage rescue schemes locally.

11.15 a.m.

[145] A lot of work has been carried out in terms of leasing schemes in the private rented sector in conjunction with local authorities. So, the key contribution is the innovation—the trial, the demonstration, and the attempt to show some small pilot scheme success that can be mainstreamed and widened. Yes, there is a good appetite for co-ops; they are a good idea. However, the idea does not really have any traction yet. There is a role for the third sector in supporting others to drive that forward. Similarly, mortgage rescue schemes were very successful when done on a national level. They have now been devolved to local authority areas, and there is a very mixed picture of what is available. In some areas of highest need there is no mortgage rescue scheme. Again, you can argue that that is a cheap way of getting affordable housing into public stock that will be available to be re-let.

[146] **Kenneth Skates:** Touching on the issue of empty homes again, you mentioned sharing best practice between local authorities and the third sector. Can you provide any examples of best practice? I know that Wrexham has been mentioned on a number of occasions by the Minister. Also, are you able to provide figures on the number of empty homes? The general figure is 24,000, but how is that split between properties where the owner is in care, properties in too poor a condition to be rented out, and properties where the owner



is unknown or deceased and so on?

[147] **Mr Costello:** Obviously, there are figures available; I do not have them with me today, but I can supply them to Members. With regard to best practice, in Wales, Wrexham has made the best progress. The UK local authority that probably stands out is Kent. It has the leading model on empty homes and quite a high level of tangible success to point to. So, that is being promoted as the model of best practice.

[148] **Ann Jones:** Maybe you could write to us on that—

[149] **Kenneth Skates:** That will be really helpful—

[150] **Ann Jones:** You could write to us on how it does it—not its best practice, but how it does it. Mark, you are looking at me as though you want to ask a question. [*Laughter.*] Go on then, be quick, but you can ask only one question.

[151] **Mark Isherwood:** To go back to mortgage rescue schemes, my personal experience in the past, particularly in the 1990s, was that Government, through its agencies, was funding the RSLs, which would then agree mortgage rescue schemes directly with the lender. So, a condition of the lender to underwrite was the mortgage rescue scheme being in place, but you did not have to go through the local authority, you had the agreement direct with the RSL. Could we revisit that?

[152] **Mr Costello:** In the previous round of the scheme, the local authority undertook a gatekeeping function. Essentially, the work was as you described: the RSL, Shelter Cymru and organisations such as Shelter Cymru, negotiating with the lender, getting agreement and then there was a rubberstamping. The difficulty now is that how local authorities spend their social housing grant is a devolved decision. The majority are deciding that this is something best left to the RSLs, which are looking at mortgage rescue solutions, but without any great public subsidy, so we are back to the intermediate rent solutions. For some people, that will be a good outcome; for others, it will not really provide a sustainable outcome.

[153] **Ann Jones:** Joy, do you have anything to add to that? I see that you do not. In that case, we will move on to the last set of questions on innovation and new ways of working. We will now have questions from Janet and then Bethan.

[154] **Janet Finch-Saunders:** Going back to the subject of housing co-operatives, what support is needed from the Welsh Government to bring these forward?

[155] **Mr Costello:** One thing that is present in England that is not in Wales is secondary housing co-operatives. These are standing organisations that have quite a wide-ranging role, from providing advice and support right through to the development of accommodation that is then leased on to smaller local housing co-operatives. There is another layer in the infrastructure. The Wales Co-operative Centre would probably be the first place that someone would ring if they were looking for support. Currently, it does not have a great deal of expertise in this area, but it is well placed to site and signpost expertise. The next step is an advice and support resource in Wales for those who are considering developing a housing co-op.

[156] **Ms Kent:** I have noted in the paper that interesting work is being done by Mick Taylor of Mutual Advantage, who we have brought to Wales a few times to talk to providers. Mutual Advantage has done a lot of work on mutual models of care, but there are lessons there for how we could bring housing support and care together to empower people regarding how they are supported and the services that they receive in the context of housing. Useful research is being done in this area that we could steal.

[157] **Bethan Jenkins:** Clywsom dystiolaeth yn gynharach yn dweud bod angen cynllun tai fforddiadwy cenedlaethol yng Nghymru er mwyn tynnu pobl at ei gilydd yn strategol. A ydych yn credu bod y syniad hwnnw'n un da neu a fyddai'n ychwanegu lefel arall o fiwrocratiaeth ac yn gynllun nad sydd ei angen? A ellir tynnu syniadau fel y rhai yr ydym wedi clywed gennych amdanynt heddiw at ei gilydd fel rhan o'r broses?

**Bethan Jenkins:** Earlier on, we heard evidence stating that there is a need for a national affordable housing plan in Wales to draw people together on a strategic basis. Do you believe that that is a good idea or that it would add another level of bureaucracy and that it is an unnecessary scheme? Could ideas such as those that we have heard from you today be drawn into the process?

[158] **Ms Kent:** You are right, although it depends on what direction you are coming from. I suppose that it is not an either/or situation. We need these big strategic structural discussions to take place, but sometimes we become too involved in them and forget about individuals. Janet mentioned rent-in-advance or deposit schemes. Sometimes, if we just spoke to individuals about why they cannot access a home, we would get a lot more information on a real variety of issues. Often, when I talk to users of support services, it is about basic human-level fundamental issues that they cannot overcome. It might be that just a few hundred pounds would help them into a home that was affordable for them. We have to approach the issue from both angles: we need to do the big strategic stuff, but let us also talk to people about what would make a difference for them.

[159] We talked about people who might want to move but cannot afford to do so. It is a big expense and if you are on a limited income, it might be that you cannot manage just that one day whereas otherwise you would be able to access that other house. From my perspective, it is often the human-level interventions—the small and often quite cheap things—that can make a big difference. It is about freeing up local authorities and third sector organisations to work together to put those actions in place and to ask people what they need and how they can help them to move to affordable properties. Fuel poverty is going to be another big issue in terms of affordability. That is the thing about strategy and structure; they are important, but we also need to respond quickly to human-level issues.

[160] **Mr Costello:** Shelter Cymru would support an affordable housing target with a delivery plan, rather than a strategy, as it would galvanise efforts and encourage regional working. We want to broaden the approach to affordable housing. There are options to explore; they need to be evaluated, with decisions made about the contribution that they can make, followed by prioritisation of the limited funds that are available for affordable housing. It seems to be something that would benefit from a national overview as well as a local attempt.

[161] **Bethan Jenkins:** When the Minister gave evidence, he said that he could not put a figure on it yet because of the difficult economic situation in Wales. It will be very difficult for all of us interested in this area until we have a target for affordable housing to focus on. I know that you believe that having a target is important, but should we concentrate on other things in the meantime?

[162] **Mr Costello:** The difficulties with defining affordable housing—recognising that it is also about people's personal circumstances and their ability to afford housing—is that you could get caught up in a simplistic view of a target and that that could take away from what you are trying to achieve. However, you also need some way of marking progress. A broad target would understand what it is, and we would support that.

[163] **Ms Kent:** I would agree that it is about a range, and recognising that what is

affordable for someone one day, or one month, would not be affordable in a few months' time should they have an accident, say. Circumstances change.

[164] **Ann Jones:** We got through all those questions without me having problems with my blood pressure or a heart attack over the time, so thank you both for your evidence today and for your papers. You will get a copy of the transcript to check for accuracy. Thank you for your co-operation.

11.26 a.m.

**Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Adolygiad o Dai Fforddiadwy a Gynhaliwyd ar ran Dirprwy Weinidog dros Dai y Cynulliad Blaenorol  
Inquiry into the Provision of Affordable Housing: Review into Affordable Housing for Deputy Minister for Housing in the Previous Assembly Term**

[165] **Ann Jones:** We welcome a former colleague and old friend, Sue Essex. Sue led the review that the former Deputy Minister asked for on affordable housing in the third Assembly. Sue has also held posts in the Assembly. It is nice to see you back, Sue. Thank you for your paper. Do you have any opening statements?

[166] **Ms Essex:** Yes. Since we did the review a few years ago, I have also done some work with Welsh local government, which Vikki alluded to. I visited every local authority in Wales, looking at their strategic housing role and drawing out good practice. During those three years I acquired a good knowledge of where Welsh local government is.

[167] **Mark Isherwood:** In relation to the 22 local authorities and their strategic housing role, what examples of good practice did you pick up? Did you identify areas where there was less willingness to engage, where sharing best practice could facilitate better outcomes? The registered social landlord Community Housing Cymru has highlighted that for each £1 in social housing grant that it receives it can bring a further £3 in, effectively quadrupling the investment. What impact will the cuts in social housing grant have on the supply of affordable housing? Do you have any comments on what should we be doing about that?

[168] **Ms Essex:** In the review that we did, one of the key recommendations was for local authorities to recognise their strategic housing role. It was on that basis that we recommended that the social housing grant be pushed over to local authorities. That has happened and it has been a positive spur. Albeit that the grant is smaller than it was previously or than we would like it to be, the local authorities that I visited still thought that that was a real spur to emphasise the strategic housing role. It is varied, and I concur with what Keith Edwards said earlier this morning, namely that some authorities, where there has been stock transfer, have used it to leave their landlord function behind and concentrate on their wider strategic role. Others, in the early days, perhaps ignored the fact that they needed to have strategic capacity. On the positive side, each one that I visited realised strongly the importance of the role. We need to emphasise that housing is crucial not only for health and social care but for regeneration. Across Wales, it is the cornerstone in many of our regeneration areas. That needs to be emphasised strongly. The strategic housing role is non-negotiable. If local authorities do not have the capacity to do it by themselves, they need to work with others. Indeed, I would say that with regard to quite a few areas—social letting agencies, empty housing units and so on. If a local authority does not have the capacity to do it itself—it may not do, for very good reasons—then it should work with others, and form a joint unit or whatever, but it really needs to do that job.

11.30 a.m.

[169] With regard to the investment of the value of SHG, I looked at the figures last year that the Assembly Government issued, and I think that 89 per cent of all the social housing units—I cannot remember whether it was social housing or affordable housing units—had some form of subsidy attached. So, undoubtedly, that has been a major spur to reaching that target and going beyond it. Everyone is being realistic in the housing family that we are facing those difficulties. That is why we are seeing major areas of innovation, which you will probably want to go into later on, to try to pull in outside money. In my paper, I particularly stressed that finding new ways of getting money in must be fundamental if we are to stand a chance, target or no target, of even getting to the kind of supply levels that we need to get to.

[170] **Joyce Watson:** Good morning, Sue, it is nice to see you here. You started to touch on what I want to ask you. How has the housing sector responded to the recommendations in the Essex report and what are the challenges, in the face of the current economic conditions, that have presented themselves?

[171] **Ms Essex:** The response was remarkable; I was very positive about how the report was picked up and taken up. I said that I thought that housing was an exemplar, and that the way that it has worked together could be taken up in other areas as well. However, the fundamental question for the Welsh Government is how to get delivery done. The Welsh Government does not build any houses; it must work with others to get affordable housing up and delivered. That has meant that everyone has come together over the past few years to deliver. However, we are now at another crucial stage, which is why I have suggested that we need to up our game. We need to recognise the problems with regard to capital funding from Government, and we need to find new ways of working that will allow that delivery that needs to be done to come through.

[172] It is about some of the things that I have heard in the discussion here this morning. Your report is timely, because you can pull some of those things together to be the spur in going forward. I emphasise those ways of working, which are fundamental to delivery, because everyone needs everyone else in the housing field; you cannot work in isolation. That needs to be stressed. As I said in my report, partnership and co-operation are often not recognised or sustained enough, and must be sustained to see this through. So, it needs to be emphasised that that collaboration is not an option but is absolutely fundamental to get the sustainable delivery of affordable housing.

[173] **Ann Jones:** We will now move on to the alternatives to public subsidy and making better use of existing resources. Mike Hedges is first, then Peter.

[174] **Mike Hedges:** I have two questions. First, what more can be done to bring publicly owned land, not local-authority land, into use for housing? Secondly, given that your report states that there are a number of empty properties, is there a way of using the council tax system to increase the banding of properties for those who are not actively marketing empty properties?

[175] **Ms Essex:** On your second question, if someone wishes to take that on then that is fine, but, as someone who led the council tax revaluation, I still bear the scars from that. The empty homes issue is interesting, and in our report we pointed to Carmarthenshire as a very good exemplar in working with the private rented sector to bring houses back into use. That is a productive way of working. We know that those houses provide accommodation, but they also have a wonderful impact on the neighbourhood, if it is run down. That is very much a priority. A lot of negotiation skill is needed to do that. At times, the threat of a compulsory purchase order is needed, so you would need to take legal action. When local authorities do not have the capacity to do it, they can work together.

[176] Will you remind me of your first point, Mike?

[177] **Mike Hedges:** My first point was about publicly owned land, not just local-authority owned land.

[178] **Ms Essex:** That is absolutely essential. More attention needs to be given to that. I heard what Keith said on that. The bringing forward of Welsh Government land has been very slow, and that needs to be looked at and given an emphasis. Practice in local authorities has varied; some of them have been tremendous in bringing land forward, way below market value, to make schemes work financially. That is often what happens; by bringing forward public land at lower than market value, you make the scheme stack up financially, and I would consider that a priority. Many RSLs would benefit from that land coming forward in a cohesive and systematic way. Local authorities and central Government working together to do that would be the most effective way of bringing that about.

[179] **Peter Black:** On the public land issue, sometimes there is a perverse disincentive to bring public land into the housing field. For example, if a local health board were to market land for housing, even at a lower rate, it would not be allowed to keep the capital receipts. So, it would think, 'Why should we bother?' That perhaps needs to be looked at.

[180] **Ms Essex:** I thought that that had been looked at, because one of our recommendations in the report was to find a method of equalising out that value so that it is in the interests of organisations to bring it forward. That needs to be a priority because land, certainly for new buildings, is absolutely crucial, and land in the right place, too—we do not want people housed in places where there are no services and they are left adrift. It must be cracked with urgency so that you have that supply coming through. The thrust of my paper was that there is no doubt that need will rocket, unfortunately. Every effort needs to be taken now on the supply side to bring forward land and housing in the right place for people.

[181] **Peter Black:** On co-operatives, I feel, in a sense, that the Minister has created a holy grail and sent us all chasing after it, especially with regard to what additional value the co-operative powers will bring to the sector. Obviously, there is value in terms of the tenants and the diversity of the sector, but are you aware of any additional income streams that may come in to the sector if we were to pursue a co-operative housing route?

[182] **Ms Essex:** I am not. Again, going back to what I said, I have argued for diversity and plurality in products; we have gone down the path of the very narrow products. So, co-operatives are there as part of that diversity. However, as Keith said this morning, they do not suit everyone. Some people just want a roof over their heads. Going back to the 1970s with co-ownership, the shared market and so on, you can do a whole range of things to suit people's different lifestyles. Going back to the Peter Mackie report that Keith mentioned—I had the privilege to hear its early findings—there was a real recognition that this was for young people. However, it was so interesting that there was not just one answer for these young people; there is a whole range of different life choices and financial situations, and we must respond to that so that there is more flexibility and diversity. In times of jobs crisis, people will probably come to the big urban centres, such as Cardiff, Swansea, Wrexham, Newport and along the north Wales coast, looking for jobs. The private rented sector will be really important and under pressure in these areas. These are probably the areas where we will have to look for more innovation around models.

[183] **Joyce Watson:** My question is about using public money on availability of affordable housing. There is pressure on housing associations to use public land, such as the very limited green space on housing estates, to build extra housing. I think that that is wholly inappropriate, and other people think so too. How can we as a Government—because I know that it is a planning issue—influence what can sometimes be the inappropriate use of public land for providing housing?

[184] **Ms Essex:** Local development plans should be clear about where the appropriate land for housing is to be found. We also need strong policies around access to open space and usable local space, particularly for younger people. If the planning authorities are getting that right, with the right policies and detailed plans, it should work. The other thing that you can do is to go down to a smaller scale, and neighbourhood planning. Undoubtedly, a lot of land will exist for the stock transfer functions in those big land banks. As you rightly say, some of that green space is crucial. I have suggested—I think that Carmarthenshire is following this up—that some of that land could be used for developing older people’s accommodation, and could release under-occupied housing. So, that level of detailed planning, what we would call neighbourhood or community planning, is really good, and enables you to involve people with an understanding of how their community works, and what is a priority for them. We all know large, old council estates where there is lots of open space that is not used much, that is not overlooked and does not feel safe, while there are other areas that are worth their weight in gold. So, that kind of detailed work could provide some of those solutions.

[185] **Ann Jones:** We move on to welfare reform, and Gwyn has some questions.

[186] **Gwyn R. Price:** What impact do you think the UK Government’s welfare reforms will have on the demand and supply of affordable housing?

[187] **Ms Essex:** Again, I am not a housing expert—other people who have come in front of you will know much more than me—but I do not expect that it would be good news. We know that the demand for private rented housing will go up, and we know that the price is going up—all the surveys tell us that. If you are dependent on local housing allowance, and it is going down, you are bound to be at a disadvantage, I would have thought. That will be particularly true in our urban areas. A few local authorities that I mentioned said that there was already an increase in houses in multiple occupation—houses being shared by the under-35s. When the Welsh Local Government Association comes to give evidence, you could perhaps ask a bit more around that. I am very fearful that we might go back to some of the bad old days; I became a councillor in 1983 in Cardiff, and things were very difficult then. I think that the impact will vary, but I do not expect that things will be easier for those people who desperately need low-priced accommodation.

[188] **Ann Jones:** We move on to partnership working across sectors. Ken and Rhodri Glyn have some questions.

[189] **Kenneth Skates:** Is best practice in collaboration being shared effectively?

[190] **Ms Essex:** It has moved on enormously. As I have said previously, working together in housing is an exemplar, but there is more that could be done, and we are at the stage now where we need to take it up a notch. I have been discussing with the WLGA and others how this might happen. The networks themselves are very effective, but I think that we need to extract more from some of those areas that are absolutely core, such as social letting agencies, which do a wonderful job. We need these right across Wales—there should not be a postcode lottery around them, and we need to find ways of making the collaboration work around that. It would mean a lot more sharing between local authorities and their partners. A considerable amount of that is going on, but I think that best practice is like the holy grail—we have said this for years. It does not always transfer, and we need to think of ways of making sure that it does—that is, more joint working, more systematic best practice, and more evaluation as well. This is an important role for the committees in making sure that we have consistency and sustainability throughout Wales. Not only does there need to be exhortation, there also needs to be a revisiting in a few years’ time to ensure that delivery has happened.

11.45 a.m.

[191] **Kenneth Skates:** I would like to come back briefly and specifically on the point about town-centre accommodation above shops. It is something that another committee is looking at at the moment; it is particularly important. What tools are available to the Government and to housing associations to use empty properties above shops?

[192] **Ms Essex:** Living Over The Shop is an initiative that has been going on for decades. Normally, there is a system of grants and other things to help to deliver that. With the amount of retail space in town centres having contracted, there is a huge opportunity to use these properties more, particularly for young people, and in looking at redundant retail areas where you might want older people's accommodation, because older people's accommodation in small town centres, where they can access shops and facilities, is quite good.

[193] It would be a matter of working with the RSL, and sometimes with the private rented sector, which would perhaps look for a bit of support from local authorities in the form of guarantees. RSLs would perhaps be looking to use an element of the social housing grant, and small sums of money could deliver on this. For many town centres in Wales, this type of accommodation offers a real option to keep life in the town centre, which is important. It is good for providing customers, too, because people who live in or close to town centres tend to spend their money there. There is nothing worse than a boarded-up shop in a town centre.

[194] **Kenneth Skates:** So, it is pretty much an issue of cost rather than planning.

[195] **Ms Essex:** It is cost. If you go back to planning policy, there is a presumption—they do not actually use the word; I am trying to remember the words used in 'Planning Policy Wales'. There is talk about converting redundant offices to residential use. I have suggested in the paper that we need to do more of that with retail premises—we have to be realistic about the contraction seen in retail. I would like to see planning policy people think about this and see whether there needs to be an amendment to allow that, as it would be to the advantage of everyone.

[196] It is not always about money. I do not know if people know about the market towns initiative, but it is a wonderful initiative in which people work with the owners—there is often reluctance on the part of owners to bring forward those properties. A lot of that involves one-to-one working.

[197] **Rhodri Glyn Thomas:** Yr ydych chi a nifer o bobl wedi rhoi tystiolaeth yn sôn am bwysigrwydd partneriaethau ar draws y tri sector—y sector preifat, y sector cyhoeddus a'r trydydd sector. Ai rhywbeth ymylol fyddai'r partneriaethau hyn, ynteu'r norm? Yn ail, a fydddech yn gweld y partneriaethau hyn yn datblygu'n unffurf, ynteu a fyddai amrywiaethau mewn gwahanol ardaloedd? **Rhodri Glyn Thomas:** You and a number of others have given evidence in which you stressed the importance of partnerships across the three sectors—the private sector, the public sector and the third sector. Would such partnerships be marginal, or would they be the norm? Secondly, would you see uniform development of these partnerships, or would there be variations in different areas?

[198] **Ms Essex:** I see it absolutely as the norm. It has been fundamental in achieving the housing target, and that will develop more. As a previous speaker has said, it is in many ways easier in Wales, as there has been a close working relationship with the building societies and with mortgage lenders. As for the private sector, I think that the game has been upped tremendously by people who work with it, in terms of the quality and quantity of units. However, as I have suggested in the paper, now is the time to take it up a notch or two. One area that is interesting to me is that of how much better we could get money within Wales from sectors where we are not getting the money in to make that partnership stronger. That needs to be the next element to be given attention. I am sure that Community Housing Cymru,

when it gives evidence, will talk about what it is doing about the Welsh housing partnership and other things. So, it is the norm in housing now, it will need to be stronger, and I do not think that there is any variation across Wales—I cannot think of any reason why there should be.

[199] The only thing that I would add is that, here in Cardiff, you have the headquarters of certain organisations, so it is easier to do this in Cardiff. However, I do not see that there would be a problem—Wales is small enough for this to operate across Wales.

[200] One thing that strikes me—I am not sure that we can do anything about this—is that we only have two building societies in Wales. They are good building societies—the Principality has played a tremendous part and there is also Monmouthshire Building Society. Other parts of the country have lots of different building societies; Yorkshire has its own bank. We have a relatively undeveloped financial system to support a not-for-profit system in Wales, and that would add to the partnership. It is difficult for Government to do things, but it is very important for the Welsh Government to show leadership. That is not just around finance, grants and legislation; it is about setting a culture within Wales. This is an interesting area that it might wish to explore.

[201] **Mike Hedges:** There is also Swansea Building Society.

[202] **Ms Essex:** I beg your pardon; how could I forget Swansea? There are three building societies in Wales.

[203] **Ann Jones:** Mark has a question on this issue, and we will then move on to the last section.

[204] **Mark Isherwood:** Several building societies have merged with my previous employer, although its head office was in England, so I assume that you will be talking to it as well. I fully endorse your comments about social letting agencies, the corollary of which is landlord accreditation. What further action, if any, do we need to ensure that we steer demand in future towards increasing supply in the accredited sector, as opposed to those that we all have concerns about?

[205] **Ms Essex:** That is a very interesting question. We have landlord forums across Wales, and it would be true to say that some work better than others. We really need to turn that into practical work, and sometimes that will need to be across boundaries—there needs to be some collaboration between local authorities on that. We have a fairly undeveloped private rented sector. If you go to other places in the world, all sorts of organisations get involved in providing housing; trade unions provide rented housing in some countries. We need to be imaginative about those areas that might want to come in to play a role. We should assume that the norm that we have had for the past 15 years will not be the norm in future, and that there will be a much greater role for the private rented sector. We want that sector to represent quality and provide sustained living. The Government can show leadership with regard to those it might work with in the private rented sector to not only convert existing housing, but also to develop new housing. I think that there would be some interest within Wales for doing that in certain localities.

[206] **Ann Jones:** We will move on to the last section on innovation and new ways of working, which you have started to touch on.

[207] **Bethan Jenkins:** Yr wyf wedi gofyn y cwestiwn hwn i bawb sydd wedi rhoi tystiolaeth. A ydych o'r farn bod angen inni gael cynllun tai fforddiadwy cenedlaethol i **Bethan Jenkins:** I have asked this question of all those who have given evidence. Do you believe that we need a national affordable housing plan for Wales, or is the current



Gymru, ynteu a yw'r hyn sy'n digwydd yn awr yn ddigonol? A ydych o'r farn bod angen targed cyffredinol, fel yr awgrymodd Shelter yn gynharach, er mwyn ffocysu meddyliau pobl ar yr agenda bwysig hon? system adequate? Do you believe that a general target is needed, as Shelter suggested earlier, in order to concentrate people's minds on this important agenda?

[208] **Ms Essex:** In my view, the 6,500 target that ended up as the 8,000 target in 'One Wales' worked. It did concentrate people's minds. I am not one for having a plethora of targets in Government, but that one worked. Importantly, it geared up a whole range of organisations to take part in delivery, with registered social landlords being one. The next time around, that target probably needs to be a little more discerning in terms of the type of accommodation, rather than just being a bold number. However, in fairness to local authorities, the affordable housing delivery plans also worked, with everyone aligning themselves to being able to deliver that target. It makes sense because, not only is it absolute misery for people looking for homes, especially if they have young children, they otherwise become homeless and turn up on a local authority's doorstep and create a huge amount of problems—financial and otherwise. We do not want to put people through that stress. I hope that I am wrong, but I do not think that I am, in saying that the demand on the housing system is really going to be ratcheted up over the next few years. We are already seeing that on waiting lists, so it has to be a priority from my perspective. If you produce a discerning target, everyone can have that focus. It is there for mortgage lenders if we have the homebuy system, and it is there for the RSLs, in terms of working with their boards. It is also there for local authorities that want to develop. I know that these are small in number at the moment, but the retained authorities are producing numbers. I would argue that it is better not to have something too wordy—a massive document. We want something that is fairly concise and refined, so that everyone can focus on it.

[209] **Janet Finch-Saunders:** What legislation or legislative changes would you like to see as part of a new Welsh housing Bill?

[210] **Ms Essex:** I have not given that a lot of thought, so I will not say anything specific. You spoke earlier about regulations that we might want to use. Obviously, there have to be careful decisions made in respect of regulating the private rented sector, working with it and the persuasive side of things. Having spoken to many people, I think that the committee might want to look at whether the legislation properly relates to affordability, and what that might mean in relation to matters such as the conversion of properties, and whether that is an easy thing to do. However, I am probably not the best person to ask about this because I have not given it an awful lot of thought. My perspective is to focus on the outcomes that you want to see, and then to see whether the legislation that you have is conducive to achieving them, or whether you need to make amendments or introduce new elements for that purpose.

[211] **Janet Finch-Saunders:** Some concerns have been raised in my constituency about priority housing need in Wales, and how that differs to the English model.

[212] **Ms Essex:** Sorry, I cannot provide an answer on that.

[213] **Ann Jones:** Are Members happy to conclude the session? I see that they are.

[214] Thank you very much for coming in and for submitting a paper, Sue. Thank you also for all of the work that you did in the last Assembly. That was great. As you know, you will receive a transcript of the meeting to check for accuracy. I will, outside committee, remind you about a funny story relating to transcripts when I was the Chair of the Local Government and Public Services Committee.

11.57 a.m.

**Papurau i'w Nodi**  
**Papers to Note**

[215] **Ann Jones:** There are a couple of papers to note—papers 6 and 7. The next meeting is on 9 November, when we will be taking evidence from Community Housing Cymru and the Welsh Tenants Federation. Thank you all for your attendance; the meeting is now closed.

*Daeth y cyfarfod i ben am 11.58 a.m.*  
*The meeting ended at 11.58 a.m.*